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Arms-Contract Scandal Grips Egyptian Chiefs

A scandal of extraordinary proportions involves Egypt's highest leaders and a group of former CIA and Pentagon officials in a back-room deal that gave a company with Palestinian connections the exclusive, multimillion-dollar contract to ship U.S. arms to Egypt.

As I reported in a previous column, there is strong reason to suspect that corrupt Egyptian officials profited personally from the scheme, and that some of the arms shipments were diverted to Palestinian forces and other groups opposed to the late President Anwar Sadat.

My associates Dale Van Atta and Indy Badhwar have conducted a major investigation into the affair. They interviewed knowledgeable Egyptian officials, military and intelligence sources and businessmen who were involved. They obtained dozens of secret cables and letters that confirm essential parts of the story.

Baksheesh and nepotism are nothing new in the Middle East, but it is rare indeed when corruption can be traced to the very highest levels of government. Yet the trail of evidence in the Egyptian arms deal

points to the two most powerful men in Egypt today—the men who stood at either side of Sadat when he was assassinated, and who now effectively control the country.

The two are Sadat's successor, Hosni Mubarak, and Defense Minister Abu Ghazala.

On June 25, 1979, a few months after the secret arms shipping deal was cut, Mubarak was given a detailed report on the affair. The report included information that the shipping firm, Tersam, was not qualified and was secretly controlled by a Palestinian businessman named Ali Shorafa, operating out of the United Arab Emirates, a hotbed of anti-Sadat Palestinian supporters.

A coded cable from Cairo on July 2, 1979, stated that "vice president in person is following this case closely." But a return cable the next day suggested it was unlikely Mubarak would pursue the scandal diligently, because "the vice president's brother-in-law is involved."

A week later, another cable from Cairo gave assurance: "V.P. taking matters very seriously. Brother-in-law (flown to) Cairo." In the end, however, Mubarak did nothing to rescind the contract or hinder its execution. It is not clear whether the vice president ever told the incorruptible Sadat about the affair.

The brother-in-law is Gen. Mounir Sabet, now stationed in Washington as chief of military procurement. Two years ago, he was an

assistant military attache here, and was involved in the Tersam deal up to his ears. At a Washington meeting on June 14, 1979, for example, Sabet confirmed that Tersam had been awarded the shipping contract in secret, and offered one of the firm's competitors half the profits if he'd keep his mouth shut.

Sabet's boss in Washington that year was the military attache, Gen. Abu Ghazala. He too was deeply involved in the Tersam deal. I have a confidential letter signed by Ghazala and addressed to the Pentagon, dated April 2, 1979. It informed appropriate officials "that the Egyptian Ministry of Defense has appointed Tersam Co. as its exclusive agent... for all its military imports from the United States of America."

For months thereafter, however, Ghazala repeatedly denied that Tersam had been given the contract. Far from being reprimanded for his part in the undercover deal, Ghazala was given an extension of his American tour of duty and a new home. He is now defense minister.

On June 14, 1979, at the Army-Navy Country Club near Washington, Ghazala and Sabet led still another Tersam competitor to believe that his firm would get the lucrative shipping contract. Later that evening, an American associate of the two Egyptian military men offered the competitor a subcontract if he would make no fuss about the Tersam deal.